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INFORMATION REPORT

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1. During the period from 1948 to 1953, major changes appeared in the budget of the Czechoslovak Ministry of Agriculture, caused primarily by the change-over from privately operated agriculture to collectively operated agriculture and secondarily by vast organizational changes in government administration. These changes resulted in lack of clarity in the governmental administrative setup, shortage of experienced economic and finance experts, and unexpected reorganization of personnel and activities of agriculture in general. These resulted in the activities of the Ministry of Agriculture having no stable budget basis after 1948, and also in chaotic conditions both financial and otherwise. These conditions were most evident in the following.
2. The budget proposals of the Ministry of Agriculture were not prepared professionally, were delayed, and the breakdown of contents did not correspond, for the most part, to the actual activities of the office concerned. Prior to 1948 budget proposals were prepared by a staff of experienced specialists who had worked out a satisfactory system which enabled them to estimate future developments. Budget proposals after 1948 were prepared by inexperienced and unqualified employees. In the economic and financial services alone, 70% of the employees were discharged after 1948. The new employees did not have the technical and financial knowledge required for calculating estimated costs of various activities. Because these new employees did not know how to proceed, they simply postponed determining individual estimates, which meant that the estimates had to be established by the supervisory offices and were, therefore, mere guesses. As a result, the proposals, which had to be detailed, often called for the purchase of certain commodities while the actual need was for others, the price of which usually exceeded the original estimate.

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3. Frequent organizational changes affecting the Ministry and its branches resulted in lowering the accuracy of budgeted sums, so that they deviated even more from actual needs. When a new ministry was created, or when a part of the jurisdiction of the Ministry of Agriculture was transferred to another office, corresponding budget adjustments were not made satisfactorily. Because possible future organizational changes had not been considered in the original budget proposals, there was often a surplus of funds in one office and a shortage in another. Because almost all of the organizational changes and resulting budget reallocations occurred during the period when the budget was in effect rather than before the budget was approved, the transfer of funds could be handled only on an estimated or approximate percentage basis, and the development of activities of new organizational units could not be taken into account.
4. The most important events which caused changes in the organizational jurisdiction of the Ministry were:
- a. State farms and forests were transferred from the jurisdiction of the Ministry of Agriculture in 1948 to form a national enterprise -- Czechoslovak State Farms and Forests.
  - b. The Central Management of the above-mentioned national enterprise was liquidated in 1951 and a department was set up within the Ministry to supervise the enterprise.
  - c. The jurisdiction of the Ministry of Agriculture over forest economy was discontinued in October 1951 and a new ministry, the Ministry of Forests and Wood Industry, was established.
  - d. The national enterprise Central Management for Mechanization of Agriculture (UMEZ) was liquidated in January 1952 and the Main Administration for Tractors and Machinery Pools was created within the Ministry. At the same time, the department supervising the state farms was reorganized into the Main Administration for the State Farms.
  - e. The Land Fund was abolished and its activities pending liquidation were transferred from the Ministry of Finance to the Ministry of Agriculture in March 1952.
  - f. The Ministry of State Farms was set up at the beginning of 1953.
  - g. The Ministry of State Farms was abolished and its activities were again transferred to the Ministry of Agriculture in October 1953.
  - h. Agricultural schools which were administered by the Ministry of Education were transferred, first as a department and then as a main administration, to the Ministry of Agriculture in February 1953.

In addition to these administrative changes, a number of the responsibilities of the Ministry of Agriculture were transferred to regional national committees during 1951, 1952, and 1953.

5. The irresponsibility and lack of professional skill of the officials authorizing the expenditure of funds resulted in deficiencies in current financing. Actually, the officials did not ask for enough funds to cover activities undertaken. For example, they ordered the schools to purchase some expensive teaching aids and, after

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they were ordered, it was learned that the budget fund which should cover this expense had already been spent for current operating expenses. Further, the records of expenditures made by the officials authorizing expenditure of funds were so inaccurate that individual accounts and even entire budget categories were overdrawn. This situation occurred most frequently with new accounts.

6. Only the major divisions of the budget were approved by the Collegium of Ministers. Often these did not correspond to the budget proposals and therefore were not in proportion to the whole. The specific breakdown of the amounts approved by the Collegium was left to the Ministry and this often resulted in struggles among the individual departments, administrations, and branches which caused more delay; those in political favor usually being most successful. Those units which did not receive the amount they specified were obliged to cut down their expenditures by limiting their activities. Sometimes the amounts approved by the government were simply divided proportionately among the individual branches. In such cases, the branches either reduced their expenses accordingly or simply overdrew the approved amount and asked for authorization of additional funds at the expense of the other branches. However, the regulations applying to the transfer of funds were so lengthy and disorganized that they were often disregarded. Thus, in a number of cases, an administrative settlement of the overdrawn amounts was not made prior to the final budget accounting. Only the final accounting gave the true picture of the actual use of the funds.
7. The facts that the budget was usually not approved until the middle of the fiscal year and that the figures for the intervening period were not accurate resulted in defects in the financing of capital investments, especially those types which had not been previously handled.
8. Other difficulties in budget management resulted from the so-called "extraordinary decisions" of the Party and the government. These decisions always called for organizational changes or special activities which either had to be provided for outside the budget or called for expenditures far greater than anticipated in the budget. In such cases, usually involving salaries, the officials of the accounting services were obliged to use money which had not been formally authorized, or authorized at all. They thus ran the risk of being arrested or of being fired.
9. All the above-mentioned points affected the organization of the budget and the amounts allocated in the budget; further, they affected the operation of the Ministry according to the budget. These practices, for instance, resulted in exceeding the 1952 budget of the Ministry of Agriculture by about 1,300,000,000 crowns. The actual practices obviously conflicted with the theoretical conception presented by the budget for operating the activities of the Ministry of Agriculture and also with the internal instructions of the Ministry of Finance.

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